

AUGUST 1953

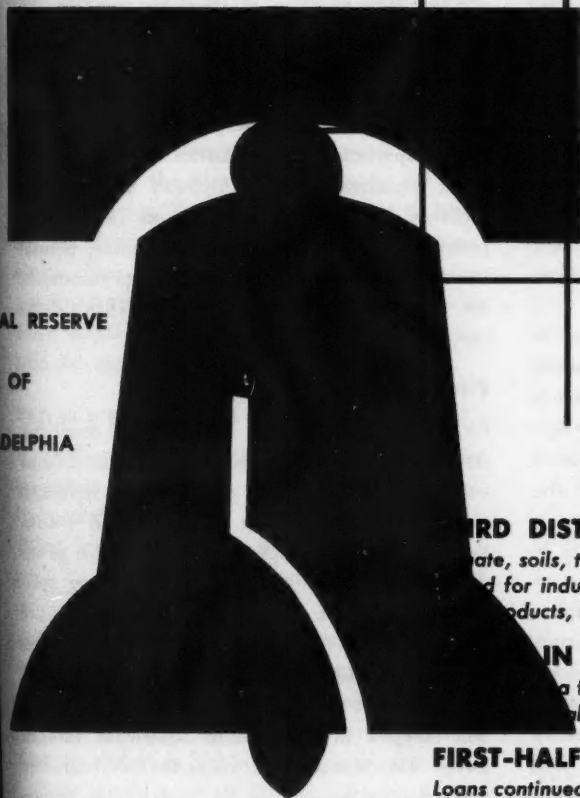
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business review

RAL RESERVE

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THIRD DISTRICT CORNUCOPIA

ate, soils, topography, markets, favor farming in this area. d for industry, the district also produces many kinds of products, but poultry and dairy output predominate.

IN PERSPECTIVE: GUNS AND BUTTER

a focuses attention on the period of fighting there. ally, is a brief economic history of the period.

FIRST-HALF BANKING — THIRD DISTRICT

Loans continued to expand in first half of 1953. Gross earnings rose substantially and profits were higher.

CURRENT TRENDS

THIRD DISTRICT CORNUCOPIA



Variety is the word for agriculture in the Third Federal Reserve District—a fact particularly evident at this season. Over the district, farmers' markets, county fairs, and picnics burst with bounty. Through the "Pennsylvania Dutch" country, "supper" tables sag with meats, fruits, and vegetables transformed into unpronounceable dishes like G'shtuptaful Lew'r and Schnitz un Knepp.* Truckloads of produce pour into the world's largest soup company at Camden, New Jersey. The world's largest commercial truck farm enterprise in Cumberland County, New Jersey, keeps up to 6500 people busy processing 65 million pounds of vegetables yearly from seed to freezer.

It is true that the district's prominence in manufacturing and mining tends to obscure somewhat its farm production, but this is not due to lack of agricultural achievement nor failure to recognize its successes. For example, a monument honors the man who developed the *York Imperial* apple in York County, Pennsylvania. A "city" is named for the potato in Potter County; a bologna carries the name of Lebanon. Who has not heard of Philadelphia scrapple, cream cheese, and ice cream? Truck farms give New Jersey the name of "Garden State." The nickname "Blue Hen's Chickens" is again fitting for Delaware since Sussex County is the nation's leader in number of chickens sold and value of poultry and poultry products sold. Surprising to many people is the fact that Lancaster County, Pennsylvania, raises more tobacco

* Stuffed baked liver, and dried apples and dumplings.

than any other county in the nation. These are some indications of the variety and importance of farm pursuits in this Reserve District and in the sixty counties within its boundaries. They are the three counties in Delaware, nine in the southern half of New Jersey, and forty-eight in the eastern two-thirds of Pennsylvania.

What are some characteristics of agriculture in the Third District? First, much of the agricultural importance of the district arises from its dense population. Good highway and railway facilities lead to excellent markets in and adjacent to the region. About 8.5 million people live within its borders, and around its perimeter are the metropolitan areas of New York, Pittsburgh, Baltimore, and Washington.

Cities influence types of farms

Cities are important to farming not only for their distribution centers, market places, and consuming populations but also for their influence on the types of farming which prevail within their orbit. For example, bulky, perishable products like vegetables and products requiring relatively little land, like poultry and eggs, are produced close to cities—as is the case in Delaware, New Jersey, and eastern Pennsylvania. Milk, another perishable product, is produced and shipped in from farms somewhat farther away. This is true of farms in the northern tier and western counties of the district, as shown in the map. Hogs, sheep, beef cattle, butter and cheese are concentrated and more costly products per pound, and can be shipped long distances

at relatively little cost. Livestock and livestock products (other than poultry) account for more than 16 per cent of the value of farm products sold by farmers in the Pennsylvania section of the district, but a large share comes from the sale of feeder cattle shipped there for fattening and marketing.

Physical factors are important

Physical factors, such as climate, soil, and topography—all of which vary considerably in the tri-state area—help determine the variety as well as the abundance of farm production. Normally, droughts over the entire district are not experienced. Most of the excellent limestone valleys of Pennsylvania sweep northeastward over the district from the Maryland border to the Delaware River at Easton, and the fertile flatlands of New Jersey and Delaware are farmed extensively. The topography of the district provides good watersheds and drainage. Elevation varies from 3,000 feet in the western part of the district to sea level along the Atlantic Coast.

This is a poultry and dairy district

Agriculture in the Third District reflects these economic and physical factors. Ours is a poultry and dairy district. Nearly 60 cents of each dollar of products sold by farmers (compared with 22 cents nationally) come from the sale of chickens, turkeys, eggs, milk, and allied products. The poultry business provides the district with its primary source of farm income, as shown in Table 1, but in a majority of the counties—36 out of 60—dairy products rank first, as shown in Table 2 and on the first map.

How would each dollar of sales be broken down for an average Third District farmer? According to the most recent census of agriculture, our hypothetical farmer received about 31 cents

TABLE 1
VALUE OF FARM PRODUCTS SOLD—1949

Products	Percentage distribution		Third Dist. as percent of U. S. total
	Third Dist.	United States	
Field crops	12.5	36.2	1.0
Vegetables	6.1	2.8	6.2
Fruit and nuts	3.3	3.6	2.5
Horticultural specialties ..	5.3	1.8	8.2
Dairy products	28.1	14.0	5.6
Poultry and poultry products	31.2	8.3	10.4
Other livestock and livestock products	13.1	32.7	1.1
Forest products4	.6	1.9
All products	100.0	100.0	2.8

Source: United States Census of Agriculture, 1950.

from his poultry flock; 28 cents from his dairy; 13 cents from other livestock; 13 cents from field crops like tobacco, corn, and wheat; 6 cents from vegetables; 5 cents from his mushrooms, flowers, and greenhouse plants; 3 cents from his orchards; and less than a cent from forest products. For comparison, the distribution of the value of all farm products sold in the United States is also shown in Table 1. Almost 70 cents of each dollar of farm products sold in the nation came from field crops and livestock, other than poultry.

TABLE 2
SOURCES OF FARM INCOME IN
THIRD DISTRICT COUNTIES

Products	Number of counties	
	Primary source	Second largest source
Field crops	3	8
Vegetables	1	5
Fruit and nuts	0	2
Horticultural specialties	2	1
Dairy products	36	12
Poultry and poultry products	17	24
Other livestock and livestock products	1	8
Forest products	0	0
All products	60	60

Source: United States Census of Agriculture, 1950.

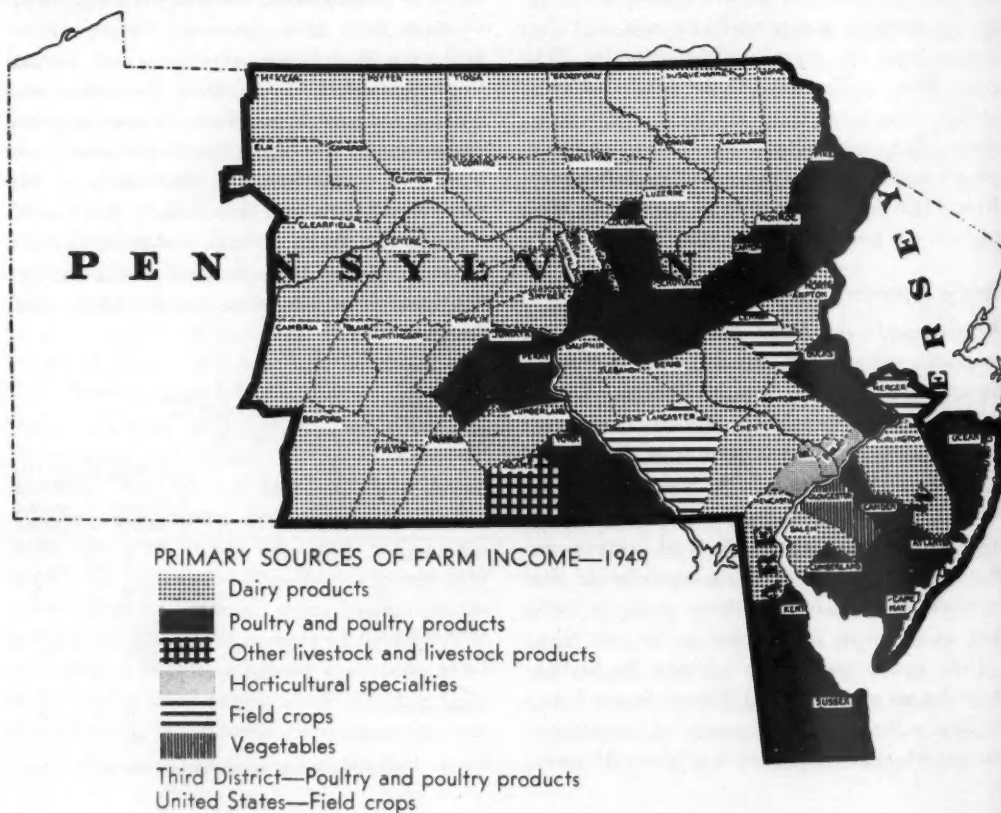
Horn of plenty

Smallest of the twelve Federal Reserve Districts, the Third District covers 1.2 per cent of the land area of the United States but produces, according to the 1950 Census of Agriculture, about 3 per cent of the value of all farm products sold in the United States. It supplies, in value of products sold, 10 per cent of all poultry and poultry products, 8 per cent of all horticultural specialties, 6 per cent of all vegetables, nearly

6 per cent of all dairy products, 2.5 per cent of all fruits and nuts, and 1 per cent of all others combined, namely, forest products, field crops, and livestock and livestock products, other than poultry.

This output is achieved with less than half the area devoted to farming, compared with about two-thirds of the country as a whole, and with fewer than five of each 100 employed persons at work on farms, compared with over

PRIMARY SOURCES OF FARM INCOME VARY AMONG THIRD DISTRICT COUNTIES . . .



twelve out of each 100, nationally. The average value of output per farm worker in this district is \$3900 compared with less than \$3200 for the United States.

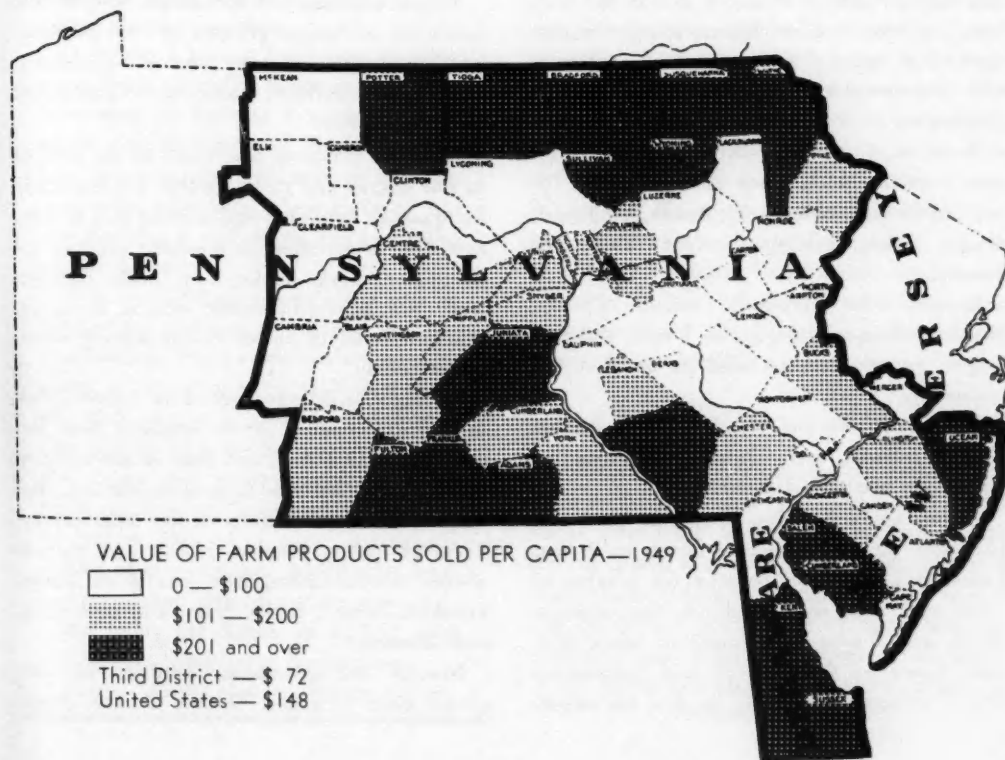
New Jersey and Delaware lead all other states in the percentage of farms selling products worth \$10,000 or more. Almost one-third of all farms in New Jersey, and more than one-fourth in Delaware, are in this class; about 9 per cent of the farms in Pennsylvania, as in the United States,

have sales of \$10,000 or over. The average value of farmland and buildings per acre in the district is \$130—double that of the United States average.

Variety is characteristic

Variety of products distinguishes agriculture—as it does industry—in the district. A recent report of the 1950 Census of Agriculture ranked the 100 leading counties of the nation's 3,050

ONE MEASURE OF THE IMPORTANCE OF AGRICULTURE WITHIN THE THIRD DISTRICT COUNTIES IS THE VALUE OF FARM PRODUCTS SOLD PER CAPITA



counties in each of 56 selected items of farm inventory and production—like the number of chickens sold, acres of Irish potatoes harvested, pounds of tobacco harvested, pounds of milk sold, the number of apple and peach trees, and so on.

Thirty-nine counties in this district were among the leading counties in the United States for 38 items—almost 70 per cent of all items listed. There are relatively few farm products—citrus fruits, cotton, sugar cane would be among them—which are not produced to some extent in the Third District.

Counties in the Third District rank high in the general classifications. In sales of *poultry and poultry products*, 18 counties are among the nation's leaders. Sussex is first in the country; Lancaster, fourth; Ocean, ninth; Cumberland, New Jersey, thirteenth; York, fifteenth; and thirteen other counties range from 27th to 100th place.

In acres of *vegetables* harvested for sale, the nine counties in this area among the top 100 are Cumberland, New Jersey, Sussex, Gloucester, Bucks, Salem, Burlington, Kent, York, and Lancaster.

In sales of *dairy products*, Lancaster, Chester, Bradford, Susquehanna, Berks, Wayne, and Burlington counties are included in the first 100 nationally.

In sales of *fruits and nuts*, Burlington, Adams, Franklin, Berks, and Gloucester counties are among the country's 100 leaders.

Among national leaders in specific items are: Lancaster for the number of *horses* on farms; Lancaster and Chester counties for number of *cattle* sold and, with Bradford, Susquehanna, Berks, and Wayne, for pounds of whole *milk* sold. Lancaster, Ocean, York, and Cumberland (N. J.) counties are among the first ten nation-

ally in number of *chickens*, other than broilers, on farms, and thirteen additional counties of this region are among the first 100. Fifteen are listed with the leaders in number of *chickens sold*, including, in addition to the counties given above, Sussex, Kent, Lebanon, Berks, Bucks, Gloucester, Pike, Atlantic, Montgomery, Salem, and Northumberland. Fourteen counties are mentioned in the top 100 in *eggs* produced; and Ocean, Lancaster, York, and Cumberland (New Jersey) are in the first ten, nation-wide.

Sussex County is a national leader in *soybean* production. Bradford, Lancaster, and Susquehanna counties have the largest acreage in the district in *hay*—Northampton County has the most acreage in *alfalfa*.

Eleven counties, led by Lehigh, Mercer, and Lancaster, are major growers of *Irish potatoes*; and five counties, of *sweet potatoes*—Gloucester, Atlantic, Cumberland, Salem, and Camden, all in New Jersey.

Lancaster produces practically all the *tobacco* in this district and ranks number one nationally for quantity harvested and number two in acreage. Our major *sweet corn*-raising counties are Burlington, York, Bucks, New Castle, Cumberland, New Jersey, Lancaster, Adams, Montgomery, and Bedford. Sussex is our leading *watermelon* county.

As might be expected, six of the nation's leading *tomato* counties are in southern New Jersey, two in Delaware, and four in southeastern Pennsylvania—all near large soup, canning, and freezing factories. Luzerne is the other county. Trees of *apples*, *peaches*, *plums*, and *cherries* abound in such leading fruit counties as Adams, Franklin, Lehigh, Berks, Schuylkill, Burlington, and Gloucester.

Nursery and greenhouse products are also grown close to cities. Chester County (third,

nationally), Montgomery, Delaware, Lancaster, Bucks, Cumberland (New Jersey), Berks, Sussex, and Philadelphia counties are, successively, among the leading 100 in sales of *horticultural specialties*.

"SEVEN SWEETS AND SEVEN SOURS"

To see how the horn of plenty spills over in a rich agricultural section of the Third District, have dinner with Elmer C. Stauffer "In the Pennsylvania Dutch Country."*

A regular dinner calls for seven sweets and seven sour. At the instant I cannot tell which is which. Meat, potatoes, beans, and peas are sweets. Pickles, and pickled beets with hard-boiled eggs in the beet brine, are sour. Pie may be either.

To refuse a second helping is impolite; not to finish your plate is just as bad. It reflects upon the hostess; it suggests you do not consider the food good. Roast beef, fried ham, bologna, and pork sausage often appear at the same meal. Two kinds of cake with cookies, as well as pie and a pudding, are the dessert.

When menfolk gather for a winter evening, it's the 'eats' that keep us together—eats and conversation. Fried oysters served on a big platter in the center of the table start things off. And, of course, these are followed by several kinds of prepared sausages, cheeses, pies, jellies and preserves, white and rye bread, apple butter, 'smierkase' ('smearcase,' or cottage cheese, to some Americans), pickles, pickled cabbage, pickled green tomatoes intermixed with nasturtium seeds.

We empty the dishes, go to bed, sleep, and look for breakfast in the morning!

* The National Geographic Magazine, Copyright, July 1941.

Leading farm counties of the district

Which are the leading agricultural counties of the Third District? Several measures may be used to determine the district's leading farm counties. We have used three, shown in the first table on page 10: (1) value of farm products sold by counties, as a percentage of district total; (2) percentage of each county's employed people who work on farms; and (3) number of times each county is listed among leading 100 counties in the United States in 56 basic items of farm inventory or production.

Farm employment

The importance of farming to a county is not only a matter of dollar value. For example, Fulton County ranks fiftieth in the district based on value of products sold, but first in the proportion of employed persons in the county who work on farms. About one-third of the workers in Fulton, Susquehanna, and Wayne counties are employed on farms, and about one in four in Juniata, Wyoming, Bradford, Bedford, Sussex, and Potter counties. Fewer than one in eight work on farms in Lancaster and Chester counties. In two other important agricultural counties—Berks and Lehigh—less than 5 per cent work on farms.

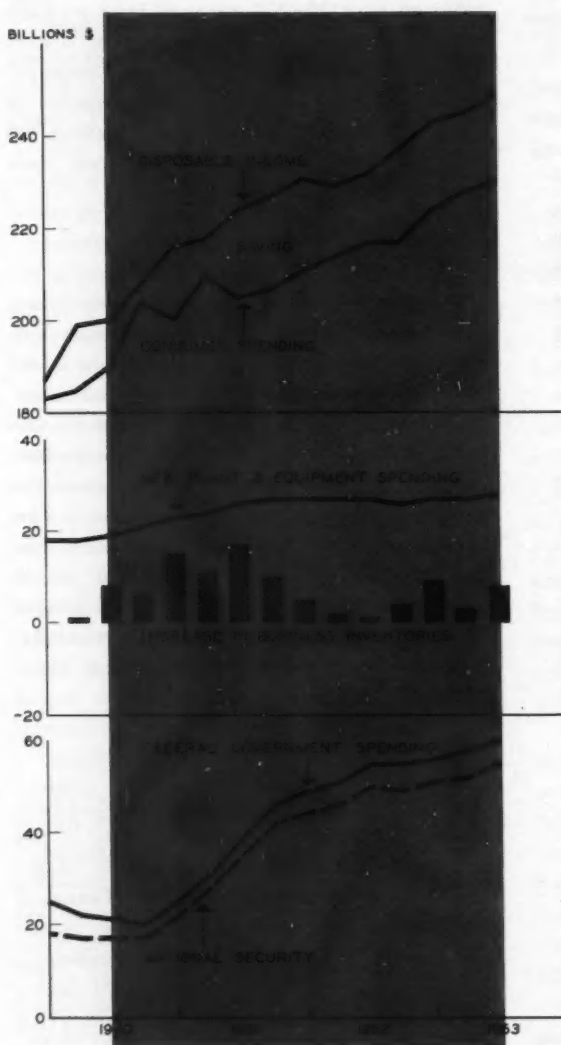
Rankings

In 56 agricultural pursuits, the ten leading farm counties listed above were ranked a total of 134 times among the leading 100 counties of the United States, according to the 1950 Census of Agriculture. Diversification of farming in our top counties is brought out by these rankings. Lancaster was a prime producer in 24 items; York, Berks, and Cumberland (New Jersey) in

(continued on page 10)

KOREA IN PERSPECTIVE: GUNS AND B

Truce in Korea focuses attention on the period of fighting there, gro



Consumers at first spent heavily to protect themselves from shortages they expected when more output was to go for defense. A renewal of this "protective" buying took place after the Chinese entered the conflict, but for the past two years, consumers have been saving at a near-record level.

Like consumers, businessmen at first sought to guard against possible shortages, so they rapidly accumulated inventory. After the initial surge, inventory accumulation continued at a slower rate. Business spending on new plant and equipment remained at a high level throughout the period.

Federal Government spending for defense purposes has increased rather consistently and only recently has shown signs of levelling off. Total Federal spending, which absorbed about 7 per cent of all goods and services produced in the second quarter of 1950, now takes 16 per cent.

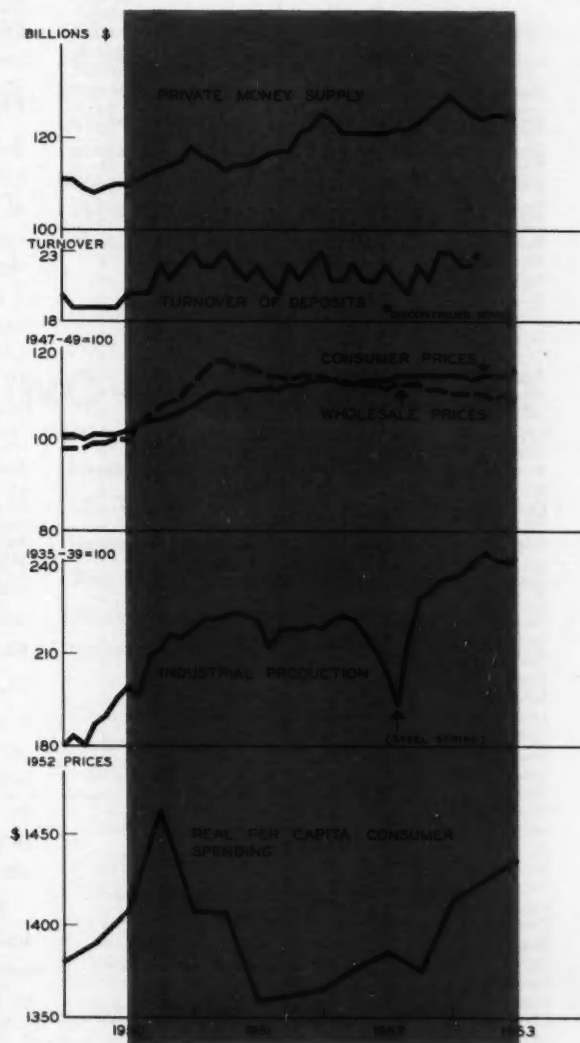
A BUTTER

there, graphically, is a brief economic history of the period.

The increased spending by consumers, businessmen, and the Government could not have taken place without an expanded money supply, or a more rapid turnover or use of money.

The surges of consumer buying and inventory accumulation following the outbreak of fighting and the Chinese intervention caused prices to rise. Anti-inflationary policies, higher savings and increased production combined to check rising prices.

In spite of the tremendously increased bite that Government spending and investment in productive capacity are taking from our economy, and in spite of a higher price level and an increasing population, the country's real per capita consumption of goods and services—its standard of living—is higher today than at the start of the Korean fighting.



15 items each; Sussex and Bucks in 13 items; Gloucester in 12; and Burlington, 11. The complete list, shown in the following table, mentions Third District counties a total of 236 times.

	Value of sales percent of district	Employment* percent in agriculture	Times ranked in 100 top U.S. counties†
Lancaster	11.4	11.8	24
Sussex	9.2	25.0	13
Chester	5.1	12.0	11
York	4.2	8.1	15
Bucks	3.8	9.5	13
Berks	3.7	4.9	15
Cumberland (N.J.)	3.5	14.8	15
Burlington	2.8	8.6	11
Montgomery	2.6	2.9	8
Franklin	2.6	13.6	9
Bradford	2.5	26.0	5
Gloucester	2.4	10.8	12
Salem	2.1	15.1	7
Ocean	2.1	13.3	4
Adams	2.1	18.4	11
Kent	2.0	21.3	4
Lebanon	1.9	7.4	3
Lehigh	1.8	3.6	4
Susquehanna	1.8	31.3	4
Northampton	1.6	3.3	2
Wayne	1.6	31.0	3
Cumberland (Pa.)	1.6	8.1	2
Atlantic	1.5	5.0	9
Tioga	1.4	21.9	—
Mercer	1.4	2.0	1
Columbia	1.3	12.6	2
Dauphin	1.3	2.8	1
New Castle	1.3	2.6	1
Bedford	1.2	25.0	2
Northumberland	1.1	5.2	4
Center	1.1	10.9	1
Schuylkill	1.1	3.3	5
Lycoming	1.1	6.3	—
Luzerne	.9	1.6	3
Perry	.9	19.4	2
Lackawanna	.8	1.7	—
Blair	.8	3.2	—
Wyoming	.7	27.9	—
Mifflin	.7	9.7	—
Juniata	.7	28.1	—
Delaware	.7	1.0	1
Potter	.7	24.5	2
Huntingdon	.7	13.5	—
Camden	.7	1.1	3
Snyder	.6	20.1	—
Union	.6	14.7	—
Cambria	.6	2.0	2
Fulton	.4	37.1	—
Clearfield	.4	4.9	—
Montour	.4	13.5	—

Cape May	.4	9.0	—
Monroe	.3	6.9	—
Clinton	.3	5.9	—
Carbon	.3	2.8	—
McKean	.3	3.4	—
Philadelphia	.2	.2	1
Pike	.2	12.1	1
Sullivan	.2	22.1	—
Elk	.1	2.8	—
Cameron	—	2.2	—
Third District	100.0%	4.8%	236

Per capita sales

A measure of the importance of farming within a county is the value of products sold for each of its inhabitants. The existence of large towns in a given county, however, tends to limit the significance of this indicator. (The map on page 5 gives the general picture.) The twenty leading counties, based on per capita sales, are as follows:

Sussex	\$921	Fulton	\$252
Susquehanna	340	Potter	246
Wayne	334	Tioga	244
Kent	316	Cumberland (N. J.)	239
Lancaster	297	Perry	228
Bradford	293	Ocean	223
Juniata	287	Franklin	206
Adams	284	Sullivan	201
Wyoming	272	Chester	195
Salem	263	Bedford	177

Summary

The Third Federal Reserve District is primarily a poultry district, but dairying is almost as important. Together, they produce 60 cents of each dollar received from the sale of farm products by district farmers. The "milk check" is of primary importance in more than half the counties of the district.

Based on value of farm products sold, the ten leading agricultural counties in the Third District and their rank among the top 100 counties in the United States are:

* 1950 † For 56 items

Lancaster	9	Berks	89
Sussex	13	Cumberland (N. J.)	*
Chester	47	Burlington	*
York	65	Montgomery	*
Bucks	84	Franklin	*

* Not in first 100.

These counties account for almost 50 per cent of all products sold by Third District farmers. Lancaster and Sussex counties combined account for more than 20 per cent of all sales.

Favorable economic and physical factors result in a varied agriculture in the region. The value of farm products sold accounts for only about 3 per cent of the national total, but farm-

ing in many of our counties is of major significance to their economies. Importance of agriculture within the counties of the district varies considerably as to employment, value of products, land use, and value of production per capita.

Lancaster County and Sussex County are the district's most productive counties, but almost two-thirds of our counties are among the leaders in 68 per cent of the major items of farm production and inventory among the 3,050 counties of the nation. Although a small district, the Third Federal Reserve District cornucopia overflows.

FIRST-HALF BANKING—THIRD DISTRICT

The upward sweep in loans of Third District member banks continued over the first half of 1953. In keeping with this trend, gross earnings also rose materially, but additions to distributable funds were limited by rising expenses and income taxes. Nevertheless, net profits after taxes were higher than they were a year earlier.

Loan expansion

The importance of loans among the assets of banks has been rising since the close of World War II, while investments have been declining relatively. At the mid-year the proportions in terms of total assets were 36 and 41 per cent

MEMBER BANK LOANS Third Federal Reserve District		Changes in			
	June 30, 1953† Mill. \$	Six months*		One year*	
		Mill. \$	%	Mill. \$	%
Types of loans:					
Business	\$1,288	+ \$45	+ 4%	+ \$128	+ 11%
Security	74	— 6	— 8	— 6	— 8
Real estate	796	+ 22	+ 3	+ 67	+ 9
Other loans to individuals—					
Installment paper	522	+ 75	+ 17	+ 138	+ 36
Single-payment	260	+ 14	+ 6	+ 20	+ 8
All other loans	84	+ 15	+ 22	+ 11	+ 15
LOANS, total	\$3,024	+ \$165	+ 6%	+ \$358	+ 13%
Less reserves	51	+ 2	+ 4	+ 6	+ 15
LOANS, net	\$2,973	+ \$163	+ 6%	+ \$352	+ 13%

† Preliminary. * Adjusted for mergers and changes in membership.

respectively. This was still far afield from the 55-26 ratio reported late in the 1920s, as might be expected in view of the growth in Federal debt to more than a quarter of a trillion dollars.

Loans of Third District member banks have more than tripled since June 1945. Over the first six months of the present year the increase was \$163 million or 6 per cent. Percentagewise, this increase was exceeded in the corresponding periods of several other postwar years, but in dollars it was topped only in 1951.

What kind of loans have the banks been making? Gains in the first six months and in the year ended June 30 were concentrated in advances to business concerns and in consumer instalment paper, with automobile paper accounting for about half of the rise in the latter. Real estate loans also contributed materially to the continued upward movement in portfolios, as shown in the preceding table.

The composition of loan portfolios naturally varies considerably from bank to bank, reflecting among other factors the type of community served, lending opportunities, and bank policies. Business loans continue to dominate the portfolios of reserve city banks and real estate loans constitute the largest component at country banks. The latest over-all figures for the district show that business loans made up more than two-fifths of aggregate loans and real estate loans approximately one-quarter—proportions not markedly different than those prevailing shortly after the close of the last World War. A little more than one-third of the real estate loan total was insured by the Federal Housing Administration or guaranteed by the Veterans Administration. Rapid expansion in consumer instalment paper has raised this class to over one-sixth of the loans of district member banks from one-twentieth in the middle of 1946.

Bank earnings rise

Net profits of member banks in the Third Federal Reserve District increased to \$25.9 million in the first half of 1953 from \$22.4 million in the corresponding period a year ago and dividend payments were increased somewhat. The increase in profits, however, was only about one-fourth as large as the expansion in total earnings, owing to rising expenses and heavier income tax payments. The total of net charge-offs and transfers to valuation reserves was about the same as a year ago.

Growth in total earnings from \$110.3 million to \$123.9 million reflected chiefly expanded income on loans, which in the past few years have been supplying more than half of the gross earnings. Income on securities also has been turning upward, following declines earlier in the postwar period. Higher average rates or yields were factors in both cases. The miscellaneous group

EARNINGS, EXPENSES AND PROFITS Third District Member Banks (Dollar amounts in millions)	First half 1953*	Change from a year ago	
		\$	%
EARNINGS:			
On U. S. Gov't securities...	\$ 27.1	+\$ 1.8	+ 7%
On other securities.....	8.8	+ .2	+ 2
On loans.....	68.4	+ 10.3	+18
Other earnings.....	19.6	+ 1.3	+ 7
Total earnings.....	\$123.9	+\$13.6	+12%
EXPENSES:			
Salaries and wages.....	\$ 34.7	+\$ 2.7	+ 8%
Interest on time deposits...	10.3	+ .9	+ 9
Other expenses.....	27.4	+ 2.0	+ 8
Total expenses.....	\$ 72.4	+\$ 5.6	+ 8%
NET CURRENT EARNINGS...	\$ 51.5	+\$ 8.0	+19%
Recoveries, profits on sales and transfers from valuation reserves.....	\$ 2.9	+\$.2	+ 7%
Losses, charge-offs and trans- fers to valuation reserves...	7.9	+ .4	+ 5
Taxes on net income.....	20.6	+ 4.3	+26
NET PROFITS.....	\$ 25.9	+\$ 3.5	+16%
Cash dividends declared.....	\$ 12.2	+\$.9	+ 8%

*Preliminary

of earnings, including service charges on deposits, trust departments, etc., while growing, accounts for less than one-sixth of the income of district banks.

Current expenses, which exclude income taxes, have been rising steadily, but not as rapidly as earnings, with the result that the proportion to total earnings has declined from 64 per cent in the first half of 1947 to 58½ per cent in the first six months of 1953. Nearly one-half of

the increase in expenses from \$66.8 million a year ago to the \$72.4 million shown by the latest figures was in salaries and wages, but in percentage the increase was much the same in interest on deposits and in the miscellany of other expenses.

Income tax payments, including excess profits taxes, were up substantially, absorbing nearly one-sixth of total earnings and two-fifths of net current earnings during the latest report period.

CURRENT TRENDS

Until recently, much of the business thinking was in terms of a moderate downturn after mid-year. Sentiment now appears to be taking a more optimistic turn. And there are signs of stability in various sectors of the economy justifying this change in perspective. Most observers are inclined to feel that the Korean armistice is not to touch off a cut in Federal spending in the immediate future. Business outlays for productive facilities promise to be greater than expected—another important factor supporting high-level production, employment, and income. No one can predict with certainty what consumers will do. But there might be good reason to expect that this new feeling of optimism, if not caught directly by consumers, may be passed on through high incomes to maintain liberal spending. If this proves to be the case, the potential problem some observers see in the recent build-up of inventories in their finished stage may dissolve.

Retail volume is high by almost any standard

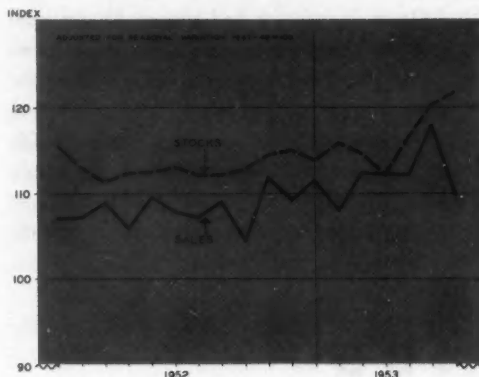
Certainly, the record indicates that up to now consumers have been spending, and spending

freely. Total dollar sales by retail stores in the United States have run close to record levels since last fall. Volume on an adjusted basis has been well above \$14 billion monthly since the beginning of this year, or about 7 per cent more than in the 1952 period. People have bought houses almost as fast as they could be built. Purchases of new automobiles and major household appliances were exceptionally heavy earlier this year. Then, during May and June, the general merchandise stores experienced a spurt in business, with dollar volume rising well above its first-quarter level. This reflected, in large part, increased activity in soft goods lines at the country's department stores.

Department store business above a year ago

Nationally and locally, the value of department store sales has maintained a fair margin of increase over the first half of 1952. Throughout the Third Federal Reserve District, monthly fluctuations in dollar sales have been more pronounced than a year ago. But in every city for which figures are available—except Wilkes-

DEPARTMENT STORE SALES AND STOCKS (Third Federal Reserve District)



Barre—the over-all trend has been upward since January, with some months showing exceptionally large year-to-year increases. Most retail outlets in Pennsylvania's hard-coal region have experienced a sales lag attributable to depressed conditions in the anthracite industry, and the department stores have been no exception. Merchants in Trenton, Reading, Lancaster, and York—where industry is much more highly diversified—report the largest gains over the first half of 1952.

At Philadelphia department stores, business generally was disappointing in January, but that was the only month in which sales fell below their year-ago level. May sales were exceptionally large almost everywhere. In the district as a whole, the adjusted index for that month was the highest since the post-Korean buying waves of July 1950 and January 1951. In York and Lancaster, dollar volume on an adjusted basis broke all records. Sales declines were the rule in most metropolitan areas in early June. But this reaction was not entirely unexpected and the preliminary figures covering weekly sales through July clearly indicated the continuing

buoyancy of consumer demand for a wide range of merchandise.

Buying emphasis has shifted recently

Sales reports on a departmental basis indicate that buying interest in the early months of this year was quite active in categories such as housewares, floor coverings, and furniture and bedding. Major appliance sales have been somewhat erratic. They got off to a poor start in January, were maintained in large volume through March and April, but fell off in May. Radio and television business was most active in the late winter, and again in June. Air-conditioning units sold very slowly until about May, when they rose to a position of leadership in many home-furnishings departments.

Since Easter, the soft goods departments of Third District stores have been experiencing some over-all improvement, with sales in an increasing number of lines showing appreciable gains over a year earlier. Business in piece goods and household textiles started the year very quietly, but by April, sales volume was above the 1952 level and continued high through June. In women's apparel and in various ready-to-wear accessories, some improvement also has been apparent in recent months. Sales of men's and boys' wear, too, picked up after February, and May volume was quite high compared with a year ago.

Instalment volume has grown

In the first four months of this year, instalment sales were running well ahead of those reported in early 1952, so that much of the year-to-year increase in total sales was from this source. Cash and regular charge-account business was following closely the 1952 pattern at no increase in level. With buying interest focused on

items in homefurnishings departments frequently bought on a time basis, a high ratio of installment to total sales was about what might have been expected in this period. But when consumers began purchasing more soft goods—in some cases at the expense of household durables—this ratio declined and by June was approximately the same as a year earlier. Cash and regular charge-account business then began to show small increases over 1952.

Collections show some lag

Although consumers have been buying more in Third District department stores this year than last, they have not been paying off on their balances as rapidly as in the first six months of 1952. The disparity has been much more pronounced in the case of instalment business than on regular charge accounts. To some extent this reflects an increase in the volume of this type of credit. But it also may be due in part to more liberal purchase terms available on some items since the expiration of Regulation W. Outstanding balances on instalment accounts showed very little change during the first six months of 1953, whereas a year ago they were declining. At the end of January, outstandings were 16 per cent higher than a year earlier. By June 30 this gap had widened to 22 per cent. The unpaid balances on charge accounts, meanwhile, have not displayed any significant change so far this year and have continued to show a gap of around 10 per cent, compared with a year ago.

Stocks up sharply in second quarter

Department store inventories rose sharply during the second quarter, reaching in June their highest level since the fall of 1951. With the excep-

tion of January and June, both months in which business fell off appreciably, they have maintained a fairly satisfactory relationship to sales. The improvement in sales volume in July, as indicated by weekly figures, should remove most of the distortion in the sales-inventory picture apparent at the end of the second quarter. Outstanding orders through the entire first half of 1953 followed closely the 1952 pattern, but at a higher level, consistent with this year's larger volume of business.

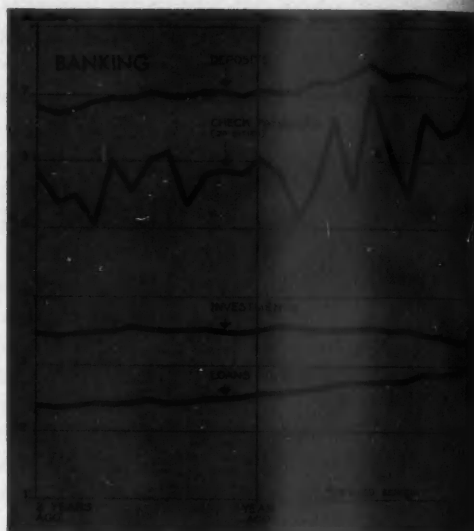
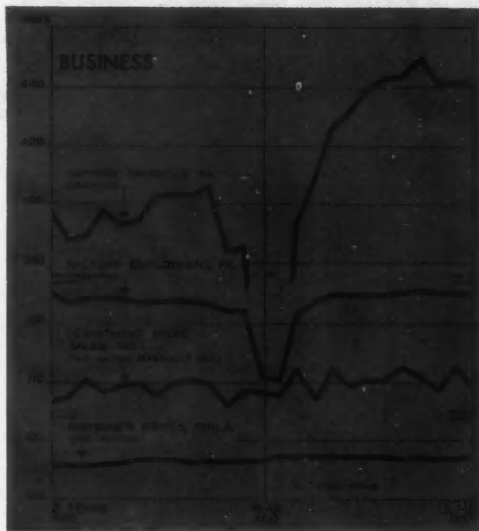
CHECK ROUTING SYMBOL— PROGRESS REPORT

Use of the check routing symbol continues to gain in this district and throughout the nation. A recent test indicates that ninety-one per cent of the checks handled by the twelve Federal Reserve Banks had the symbol in the approved location (the upper right-hand corner). This was a gain of three percentage points in the first half of the year.

Third District banks as a group continue among the leaders with 94 per cent, topping the national average by three points. By states, New Jersey moved from fourth to third position, Delaware from seventh to fifth, while Pennsylvania remained twelfth.

The Check Routing Symbol Program is designed to speed up the collection of checks. For maximum effectiveness, it is necessary that 100 per cent of all checks on par banks carry the symbol in the approved location. Attainment of this goal requires continuing efforts and cooperation on the part of bankers, businessmen and check printers.

FOR THE RECORD...



SUMMARY	Third Federal Reserve District			United States		
	Per cent change			Per cent change		
	June 1953 from		6 mos. 1953 from year ago	June 1953 from		6 mos. 1953 from year ago
	mo. ago	year ago		mo. ago	year ago	
OUTPUT						
Manufacturing production...	0*	+24*	+7*	0	+18	+12
Construction contracts...	+3	-5	+24	-8	-10	+3
Coal mining...	0	-3	-19	+10	+18	-9
EMPLOYMENT AND INCOME						
Factory employment...	0*	+25*	+6*	+1	+11	+7
Factory wages income...	0*	+40*	+16*			
TRADE**						
Department store sales...	-6	+2	+3	-1	+3	+4
Department store stocks...	0	+8		0	+9	
BANKING						
(All member banks)						
Deposits...	+2	+2	+3	+1	+1	+3
Loans...	+4	+16	+14	0	+10	+11
Investments...	+1	-5	-2	0	-5	-2
U.S. Govt. securities...	+1	-6	-3	+1	-6	-3
Other...	-1	0	+1	-1	+1	+5
Check payments...	+7*	+17*	+10*	+8	+10	+8
PRICES						
Wholesale...				0	-2	-2
Consumer...	+11	+11	+11	0	+1	+1

*Pennsylvania †Philadelphia ‡20 Cities

**Adjusted for seasonal variation. ‡Based on 3-month moving averages.

LOCAL CHANGES	Factory*				Department Store				Check Payments	
	Employment		Payrolls		Sales		Stocks			
	Per cent change June 1953 from		Per cent change June 1953 from		Per cent change June 1953 from		Per cent change June 1953 from		Per cent change June 1953 from	
	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago	mo. ago	year ago
Allentown . . .	+1	+24	0	+40					+8	+16
Harrisburg . .	+5	+23	+4	+42					+3	+4
Lancaster . . .	+1	+7	+1	+13	-20	+5	-8	+8	+1	+10
Philadelphia .	0	+8	+1	+14	-11	+1	-7	+8	+5	+16
Reading	-2	+4	-1	+17	-13	+3	-8	+11	+1	+19
Scranton	0	+2	0	+7					+13	+3
Trenton	+1	+14	+1	+30	-2	+5	-19	-1	-5	+18
Wilkes-Barre .	0	+7	+1	+13	-7	-1	-3	+8	+10	+16
Wilmington . .	-1	+9	+4	+22	-15	-7	-14	+7	+38	+36
York	+2	+11	+4	+25	-23	+10	-17	+12	+10	+28

*Not restricted to corporate limits of cities but covers areas of one or more counties.

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